

112TH CONGRESS
2D SESSION

H. R. 4143

To amend the Internal Revenue Code of 1986 to extend the period during which transfers of excess pension assets may be made to retiree health accounts and to provide for the transfer of such assets to retiree group term life insurance accounts.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 2012

Mr. TIBERI (for himself and Mr. PASCRELL) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to extend the period during which transfers of excess pension assets may be made to retiree health accounts and to provide for the transfer of such assets to retiree group term life insurance accounts.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Extension of Section
5 420 and Retiree Life Insurance Act of 2012”.

1 **SEC. 2. EXTENSION FOR TRANSFERS OF EXCESS PENSION**
 2 **ASSETS TO RETIREE HEALTH ACCOUNTS.**

3 (a) IN GENERAL.—Paragraph (5) of section 420(b)
 4 of the Internal Revenue Code of 1986 is amended by strik-
 5 ing “December 31, 2013” and inserting “December 31,
 6 2021”.

7 (b) CONFORMING ERISA AMENDMENTS.—

8 (1) Sections 101(e)(3), 403(c)(1), and
 9 408(b)(13) of the Employee Retirement Income Se-
 10 curity Act of 1974 are each amended by striking
 11 “Pension Protection Act of 2006” and inserting
 12 “Extension of Section 420 and Retiree Life Insur-
 13 ance Act of 2012”.

14 (2) Section 408(b)(13) of such Act (29 U.S.C.
 15 1108(b)(13)) is amended by striking “January 1,
 16 2014” and inserting “January 1, 2022”.

17 (c) EFFECTIVE DATE.—The amendments made by
 18 this Act shall take effect on the date of the enactment
 19 of this Act.

20 **SEC. 3. TRANSFER OF EXCESS PENSION ASSETS TO RE-**
 21 **TIREE GROUP TERM LIFE INSURANCE AC-**
 22 **COUNTS.**

23 (a) IN GENERAL.—Subsection (a) of section 420 of
 24 the Internal Revenue Code of 1986 is amended by insert-
 25 ing “, or an applicable life insurance account,” after
 26 “health benefits account”.

1 (b) APPLICABLE LIFE INSURANCE ACCOUNT DE-
2 FINED.—

3 (1) IN GENERAL.—Subsection (e) of section
4 420 of the Internal Revenue Code of 1986 is amend-
5 ed by redesignating paragraphs (4) and (5) as para-
6 graphs (5) and (6), respectively, and by inserting
7 after paragraph (3) the following new paragraph:

8 “(4) APPLICABLE LIFE INSURANCE AC-
9 COUNT.—The term ‘applicable life insurance ac-
10 count’ means a separate account established and
11 maintained for amounts transferred under this sec-
12 tion for qualified current retiree liabilities based on
13 premiums for applicable life insurance benefits.”.

14 (2) APPLICABLE LIFE INSURANCE BENEFITS
15 DEFINED.—Paragraph (1) of section 420(e) of such
16 Code is amended by redesignating subparagraph (D)
17 as subparagraph (E) and by inserting after subpara-
18 graph (C) the following new subparagraph:

19 “(D) APPLICABLE LIFE INSURANCE BENE-
20 FITS.—The term ‘applicable life insurance bene-
21 fits’ means group-term life insurance coverage
22 provided to retired employees who, immediately
23 before the qualified transfer, are entitled to re-
24 ceive such coverage by reason of retirement and
25 who are entitled to pension benefits under the

1 plan, but only to the extent that such coverage
 2 is provided under a policy for retired employees
 3 and the cost of such coverage is excludable from
 4 the retired employee's gross income under sec-
 5 tion 79.”.

6 (3) COLLECTIVELY BARGAINED LIFE INSUR-
 7 ANCE BENEFITS DEFINED.—

8 (A) IN GENERAL.—Paragraph (6) of sec-
 9 tion 420(f) of such Code is amended by redesign-
 10 ating subparagraph (D) as subparagraph (E)
 11 and by inserting after subparagraph (C) the fol-
 12 lowing new subparagraph:

13 “(D) COLLECTIVELY BARGAINED LIFE IN-
 14 SURANCE BENEFITS.—The term ‘collectively
 15 bargained life insurance benefits’ means, with
 16 respect to any collectively bargained transfer—

17 “(i) applicable life insurance benefits
 18 which are provided to retired employees
 19 who, immediately before the transfer, are
 20 entitled to receive such benefits by reason
 21 of retirement, and

22 “(ii) if specified by the provisions of
 23 the collective bargaining agreement gov-
 24 erning the transfer, applicable life insur-
 25 ance benefits which will be provided at re-

1 tirement to employees who are not retired
2 employees at the time of the transfer.”.

3 (B) CONFORMING AMENDMENTS.—

4 (i) Clause (i) of section 420(e)(1)(C)
5 of such Code is amended by striking “upon
6 retirement” and inserting “by reason of re-
7 tirement”.

8 (ii) Subparagraph (C) of section
9 420(f)(6) of such Code is amended—

10 (I) by striking “which are pro-
11 vided to” in the matter preceding
12 clause (i),

13 (II) by inserting “which are pro-
14 vided to” before “retired employees”
15 in clause (i),

16 (III) by striking “upon retire-
17 ment” in clause (i) and inserting “by
18 reason of retirement”, and

19 (IV) by striking “active employ-
20 ees who, following their retirement,”
21 and inserting “which will be provided
22 at retirement to employees who are
23 not retired employees at the time of
24 the transfer and who”.

25 (c) MAINTENANCE OF EFFORT.—

1 (1) IN GENERAL.—Subparagraph (A) of section
2 420(c)(3) of the Internal Revenue Code of 1986 is
3 amended by inserting “, and each group-term life in-
4 surance plan under which applicable life insurance
5 benefits are provided,” after “health benefits are
6 provided”.

7 (2) CONFORMING AMENDMENTS.—

8 (A) Subparagraph (B) of section 420(c)(3)
9 of such Code is amended—

10 (i) by redesignating subclauses (I) and
11 (II) of clause (i) as subclauses (II) and
12 (III) of such clause, respectively, and by
13 inserting before subclause (II) of such
14 clause, as so redesignated, the following
15 new subclause:

16 “(I) separately with respect to
17 applicable health benefits and applica-
18 ble life insurance benefits,” and

19 (ii) by striking “for applicable health
20 benefits” and all that follows in clause (ii)
21 and inserting “was provided during such
22 taxable year for the benefits with respect
23 to which the determination under clause (i)
24 is made.”.

1 (B) Subparagraph (C) of section 420(c)(3)
2 of such Code is amended—

3 (i) by inserting “for applicable health
4 benefits” after “applied separately”, and

5 (ii) by inserting “, and separately for
6 applicable life insurance benefits with re-
7 spect to individuals age 65 or older at any
8 time during the taxable year and with re-
9 spect to individuals under age 65 during
10 the taxable year” before the period.

11 (C) Subparagraph (E) of section 420(c)(3)
12 of such Code is amended—

13 (i) in clause (i), by inserting “or re-
14 tiree life insurance coverage, as the case
15 may be,” after “retiree health coverage”,

16 (ii) in clause (ii), by inserting “FOR
17 RETIREE HEALTH COVERAGE” after “COST
18 REDUCTIONS” in the heading thereof, and

19 (iii) in clause (ii)(II), by inserting
20 “with respect to applicable health benefits”
21 after “liabilities of the employer”.

22 (D) Paragraph (2) of section 420(f) of
23 such Code is amended by striking “collectively
24 bargained retiree health liabilities” each place it

occurs and inserting “collectively bargained retiree liabilities”.

(E) Clause (i) of section 420(f)(2)(D) of such Code is amended—

(i) by inserting “, and each group-term life insurance plan or arrangement under which applicable life insurance benefits are provided,” in subclause (I) after “applicable health benefits are provided”,

(ii) by inserting “or applicable life insurance benefits, as the case may be,” in subclause (I) after “provides applicable health benefits”,

(iii) by striking “group health” in subclause (II), and

(iv) by inserting “or collectively bargained life insurance benefits” in subclause (II) after “collectively bargained health benefits”.

(F) Clause (ii) of section 420(f)(2)(D) of such Code is amended—

(i) by inserting “with respect to applicable health benefits or applicable life insurance benefits” after “requirements of subsection (c)(3)”, and

1 (ii) by adding at the end the fol-
 2 lowing: “Such election may be made sepa-
 3 rately with respect to applicable health
 4 benefits and applicable life insurance bene-
 5 fits. In the case of an election with respect
 6 to applicable life insurance benefits, the
 7 first sentence of this clause shall be ap-
 8 plied as if subsection (c)(3) as in effect be-
 9 fore the amendments made by such Act
 10 applied to such benefits.”.

11 (G) Clause (iii) of section 420(f)(2)(D) of
 12 such Code is amended—

13 (i) by striking “retiree” each place it
 14 occurs, and

15 (ii) by inserting “, collectively bar-
 16 gained life insurance benefits, or both, as
 17 the case may be,” after “health benefits”
 18 each place it occurs.

19 (d) COORDINATION WITH SECTION 79.—Section 79
 20 of the Internal Revenue Code of 1986 is amended by add-
 21 ing at the end the following new subsection:

22 “(f) EXCEPTION FOR LIFE INSURANCE PURCHASED
 23 IN CONNECTION WITH QUALIFIED TRANSFER OF EXCESS
 24 PENSION ASSETS.—Subsection (b)(3) and section
 25 72(m)(3) shall not apply in the case of any cost paid

1 (whether directly or indirectly) with assets held in an ap-
 2 plicable life insurance account (as defined in section
 3 420(e)(4)) under a defined benefit plan.”.

4 (e) CONFORMING AMENDMENTS.—

5 (1) Section 420 of the Internal Revenue Code
 6 of 1986 is amended by striking “qualified current
 7 retiree health liabilities” each place it appears and
 8 inserting “qualified current retiree liabilities”.

9 (2) Section 420 of such Code is amended by in-
 10 serting “, or an applicable life insurance account,”
 11 after “a health benefits account” each place it ap-
 12 pears in subsection (b)(1)(A), subparagraphs (A),
 13 (B)(i), and (C) of subsection (c)(1), subsection
 14 (d)(1)(A), and subsection (f)(2)(E)(ii).

15 (3) Section 420(b) of such Code is amended—

16 (A) by adding the following at the end of
 17 paragraph (2)(A): “If there is a transfer from
 18 a defined benefit plan to both a health benefits
 19 account and an applicable life insurance ac-
 20 count during any taxable year, such transfers
 21 shall be treated as 1 transfer for purposes of
 22 this paragraph.”, and

23 (B) by inserting “to an account” after
 24 “may be transferred” in paragraph (3).

1 (4) The heading for section 420(c)(1)(B) of
2 such Code is amended by inserting “OR LIFE INSUR-
3 ANCE” after “HEALTH BENEFITS”.

4 (5) Paragraph (1) of section 420(e) of such
5 Code is amended—

6 (A) by inserting “and applicable life insur-
7 ance benefits” in subparagraph (A) after “ap-
8 plicable health benefits”, and

9 (B) by striking “HEALTH” in the heading
10 thereof.

11 (6) Subparagraph (B) of section 420(e)(1) of
12 such Code is amended—

13 (A) in the matter preceding clause (i), by
14 inserting “(determined separately for applicable
15 health benefits and applicable life insurance
16 benefits)” after “shall be reduced by the
17 amount”,

18 (B) in clause (i), by inserting “or applica-
19 ble life insurance accounts” after “health ben-
20 efit accounts”, and

21 (C) in clause (i), by striking “qualified cur-
22 rent retiree health liability” and inserting
23 “qualified current retiree liability”.

1 (7) The heading for subsection (f) of section
2 420 of such Code is amended by striking “HEALTH”
3 each place it occurs.

4 (8) Subclause (II) of section 420(f)(2)(B)(ii) of
5 such Code is amended by inserting “or applicable
6 life insurance account, as the case may be,” after
7 “health benefits account”.

8 (9) Subclause (III) of section 420(f)(2)(E)(i) of
9 such Code is amended—

10 (A) by inserting “defined benefit” before
11 “plan maintained by an employer”, and

12 (B) by inserting “health” before “benefit
13 plans maintained by the employer”.

14 (10) Paragraphs (4) and (6) of section 420(f)
15 of such Code are each amended by striking “collec-
16 tively bargained retiree health liabilities” each place
17 it occurs and inserting “collectively bargained retiree
18 liabilities”.

19 (11) Subparagraph (A) of section 420(f)(6) of
20 such Code is amended—

21 (A) in clauses (i) and (ii), by inserting “,
22 in the case of a transfer to a health benefits ac-
23 count,” before “his covered spouse and depend-
24 ents”, and

1 (B) in clause (ii), by striking “health plan”
2 and inserting “plan”.

3 (12) Subparagraph (B) of section 420(f)(6) of
4 such Code is amended—

5 (A) in clause (i), by inserting “, and collec-
6 tively bargained life insurance benefits,” after
7 “collectively bargained health benefits”,

8 (B) in clause (ii)—

9 (i) by adding at the end the following:
10 “The preceding sentence shall be applied
11 separately for collectively bargained health
12 benefits and collectively bargained life in-
13 surance benefits.”, and

14 (ii) by inserting “, applicable life in-
15 surance accounts,” after “health benefit
16 accounts”, and

17 (C) by striking “HEALTH” in the heading
18 thereof.

19 (13) Subparagraph (E) of section 420(f)(6) of
20 such Code, as redesignated by subsection (b), is
21 amended—

22 (A) by striking “bargained health” and in-
23 serting “bargained”,

1 (B) by inserting “, or a group-term life in-
2 surance plan or arrangement for retired em-
3 ployees,” after “dependents”, and

4 (C) by striking “HEALTH” in the heading
5 thereof.

6 (14) Section 101(e) of the Employee Retire-
7 ment Income Security Act of 1974 (29 U.S.C.
8 1021(e)) is amended—

9 (A) in paragraphs (1) and (2), by inserting
10 “or applicable life insurance account” after
11 “health benefits account” each place it appears,
12 and

13 (B) in paragraph (1), by inserting “or ap-
14 plicable life insurance benefit liabilities” after
15 “health benefits liabilities”.

16 (f) TECHNICAL CORRECTION.—Clause (iii) of section
17 420(f)(6)(B) is amended by striking “416(I)(1)” and in-
18 serting “416(i)(1)”.

19 (g) REPEAL OF DEADWOOD.—

20 (1) Subparagraph (A) of section 420(b)(1) of
21 the Internal Revenue Code of 1986 is amended by
22 striking “in a taxable year beginning after December
23 31, 1990”.

24 (2) Subsection (b) of section 420 of such Code
25 is amended by striking paragraph (4) and by redes-

1 ignating paragraph (5), as amended by this Act, as
2 paragraph (4).

3 (3) Paragraph (2) of section 420(b) of such
4 Code, as amended by this section, is amended—

5 (A) by striking subparagraph (B), and

6 (B) by striking “PER YEAR.—” and all
7 that follows through “No more than” and in-
8 serting “PER YEAR.—No more than”.

9 (4) Paragraph (2) of section 420(c) of such
10 Code is amended—

11 (A) by striking subparagraph (B),

12 (B) by moving subparagraph (A) two ems
13 to the left, and

14 (C) by striking “BEFORE TRANSFER.—”
15 and all that follows through “The requirements
16 of this paragraph” and inserting the following:
17 “BEFORE TRANSFER.—The requirements of this
18 paragraph”.

19 (5) Paragraph (2) of section 420(d) of such
20 Code is amended by striking “after December 31,
21 1990”.

22 (h) EFFECTIVE DATE.—

23 (1) IN GENERAL.—The amendments made by
24 this section shall apply to transfers made after the
25 date of the enactment of this Act.

1 (2) CONFORMING AMENDMENTS RELATING TO
2 PENSION PROTECTION ACT.—The amendments made
3 by subsections (b)(3)(B) and (f) shall take effect as
4 if included in the amendments made by section
5 841(a) of the Pension Protection Act of 2006.

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